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May 31, 2000

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, Second Floor  
Boston MA 02110

RE: Investigation by the Department of Telecommunications and Energy on its own Motion into the Pricing and Procurement of Default Service Pursuant to G.L. c. 164, § 1B(d), D.T.E. 99-60-A.

Dear Ms. Cottrell,

Enclosed please find an original and fifteen (15) copies of the comments of Fitchburg Gas and Electric Light Company ("Fitchburg") in response to the questions posed by the Department at its technical session on May 25, 2000 in the above referenced proceeding.

Fitchburg has no additional comments other than those which were stated at the technical session, but takes this opportunity to file written responses to the questions specifically posed to each party at that technical session. Fitchburg appreciates this opportunity to respond to the Department's inquiry. An electronic version of these comments is also being submitted to the Department via electronic mail.

Thank you for your assistance with this matter.

Very truly yours,

Douglas J. Debski

Project Leader, Regulatory Design

CC: Jeannie Voveris, Hearing Officer, MDTE  
George Dean, Assistant Attorney General

Enclosure

Question 1:

What are the administrative costs (procurement and implementation) for running the Default Service process? Please provide the response on a total \$ basis and on a \$/MWh basis. Provide the basis for the calculations.

Response 1:

The Company estimates the administrative costs for procurement and implementation for running the Default Service process to be in the neighborhood of \$1,000 per month on a going forward basis. This includes the ongoing costs for the LERS/Logica system used to calculate and report hourly loads for Default Service for settlement purposes to ISO New England. Default Service MWh sales for calendar year 2000 are estimated to be 27,203 MWh. The costs equate to \$0.44 per MWh, or \$0.00044 per kWh. This figure does not include any costs otherwise included in the Company's base rates such as overhead, meter reading, billing, etc. These costs should appropriately remain in base rates.

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Responsible: Douglas J. Debski

Question 2:

Please provide specific recommendations on what the DTE's oversight of the Default Service RFP process should be.

Response 2:

The Department oversight should include reviewing the basic terms of the distribution company's RFP and approval of final Default Service prices in a timely manner. Length of time between RFPs should be decided on an individual basis by the distribution companies.

An alternative to the entire distribution company RFP process would be to have the Department conduct one all encompassing RFP for all of the Massachusetts companies. The most administrative efficiency and best pricing options could be achieved by having a single "joint" RFP.

Responsible: David K. Foote

Question 3:

How long a period should the solicitation encompass?

Response 3:

Initially the term of each solicitation should be for a period of six months. It is extremely important that solicitation for each of the distribution companies should be staggered throughout the year. Overlap of solicitations could adversely affect the bid prices offered by competitive suppliers. On the other hand, staggered bid periods could lead to widely varying prices for different companies. Once the market has matured, this length of time may be shortened to allow for more accurate pricing within the scope of the legislation.

Once again, the use of a statewide, state administered Default Service program would eliminate the need for staggered RFPs, varying Default Service prices for each company, varying solicitation periods, and the like.

Responsible: David K. Foote

Question 4:

Should the Department mandate the number of Default Service suppliers in a distribution company's service territory?

Response 4:

No. The total Default Service load for Fitchburg is currently less than 10 MW. Fitchburg should not be required to have more than one supplier of default service as this could have an adverse impact on the bid prices received. This does not mean that default service should be limited to one supplier. For some companies, the use of multiple suppliers may be advantageous and help to achieve the best mix of suppliers and loads served. In that case, whatever mix of suppliers willing to provide service should be allowed to achieve the best possible overall Default Service price.

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Responsible: David K. Foote

Question 5:

Please provide any additional cost information on providing Default Service to commercial and industrial customers versus residential customers.

Response 5:

There is much theoretical and practical evidence available from traditional load research and rate design analysis and studies to indicate that the cost of providing electricity to different customer classes varies. For example, differences in customer class line losses, load shapes, load duration and measures of peak load coincidence may contribute to a variation in the cost of providing energy service via Default Service to each customer class. These class specific cost of service characteristics have traditionally been modeled and designed into a utilities "bundled" rate structure. In the wake of rate "unbundling" it may be appropriate to explore ways to better reflect class cost characteristics directly in an unbundled rate component (i.e. Default Service rate) to the extent these characteristics are no longer reflected in other rate components. However, any price efficiency gains that may be achieved should be carefully weighted against the increased cost of administration and procurement as well as load reporting and reconciliation that may be required for varying Default Service prices by class.

Responsible: Douglas J. Debski